SASKATCHEWAN ARTS BOARD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Arts Board, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Arts Board as at March 31, 2014, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
June 24, 2014

Judy Ferguson, FCA
Acting Provincial Auditor

1500 Chateau Tower - 1903 Rand Street - Regina, Saskatchewan S4P 3V7
t 306.787.6398 f 306.787.6383 e info@auditor.sk.ca
w www.auditor.sk.ca

SASKATCHEWAN ARTS BOARD
STATEMENT OF FINANCIAL POSITION
As at March 31

	2014	2013
Financial Assets		
Cash – operations	$ 1,794,983	$ 2,174,620
Cash – Flexible Loan Program (Note 13)	143,535	1,197,600
Accounts receivable	29,599	55,112
Loans receivable - operations (Note 4 and 8)	91,590	139,773
Loans receivable - Flexible Loan Program (Note 4 and 13)	6,465	36,688
Managed funds receivable (Note 10)	5,525,643	1,671,076
	7,591,815	5,274,869
Liabilities		
Accounts payable		
Grants payable	1,057,958	2,062,771
Accrued employee benefits payable	61,801	86,557
Other	337,477	338,676
Unearned revenue		
Permanent collection fees	21,348	20,649
Deferred revenue (Note 17)		
Leasehold inducement	1,088	14,143
Other	19,429	36,381
Canada Games Legacy	140,000	186,000
	1,639,101	2,745,177
Net financial assets (Statement 3, Note 15)	5,952,714	2,529,692
Non-Financial Assets		
Prepaid expenses	57,760	43,367
Tangible capital assets (Note 12)	322,866	420,561
	380,626	463,928
Accumulated surplus (Statement 2)	$ 6,333,340	$ 2,993,620
Collections (Note 9)		
Permanent Collection	$ 2,616,216	$ 2,345,538
Musical instruments	46,575	46,575

Contingent liabilities (Note 11)

(See accompanying notes to the financial statements)

SASKATCHEWAN ARTS BOARD
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended March 31

	2014	2013
Revenues:		
Transfers from General Revenue Fund	$ 6,955,000	$ 8,049,000
Contribution from SaskCulture Inc.	2,159,000	1,874,400
Program support	94,510	290,634
Permanent collection	64,372	65,715
Project support	144,881	73,400
Donations (Note 9)	202,075	2,440
Other earned income	322,350	171,280
Sale of Land (Note 12a)	3,615,550	-
	13,557,738	10,526,869
Expenses:		
Grants (Note 16)	7,221,597	8,188,722
Transfers and other payments	193,864	241,430
Permanent collection		
Purchases and donations (Note 9)	270,678	62,430
Project expenses	164,081	123,273
Program delivery		
Grants	1,242,617	1,359,680
Permanent collection	299,066	294,581
Operations	647,470	780,451
Communications	178,645	227,877
	10,218,018	11,278,444
Annual surplus/(deficit)	3,339,720	(751,575)
Accumulated surplus, beginning of the year	2,993,620	3,745,195
Accumulated surplus, end of the year (Statement 1)	$ 6,333,340	$ 2,993,620

(See accompanying notes to the financial statements)

SASKATCHEWAN ARTS BOARD
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended March 31

	2014	2013
Net financial assets, beginning of the year	$ 2,529,692	$ 3,226,709
Net operating results for the year	3,339,720	(751,575)
Changes in prepaid expenses	(14,393)	(10,081)
Acquisition of tangible capital assets (Note 12)	(9,619)	(21,930)
Amortization (Note 12)	107,314	86,570
Changes in net financial assets during the year	3,423,022	(697,016)
Net financial assets, end of the year (Statement 1)	$ 5,952,714	$ 2,529,692

(See accompanying notes to the financial statements)

SASKATCHEWAN ARTS BOARD
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2014	2013
Cash flows from operating activities:		
Cash receipts:		
Allocation from General Revenue Fund	$ 6,955,000	$ 8,049,000
Contribution from SaskCulture Inc.	2,159,000	1,881,900
Fees and other	4,114,187	506,434
Other contributions	56,784	52,383
	13,284,971	10,489,717
Cash disbursements:		
Grant and transfer payments	8,454,398	7,787,502
Salaries and benefits	1,549,704	1,790,124
Space and accommodation	273,355	277,180
Supplies and other	659,558	682,216
	10,937,015	10,537,022
Net increase (decrease) in cash from operating activities	2,347,956	(47,305)
Cash flows (used in) from capital activities:		
Additions to tangible capital assets	(5,288)	(24,034)
Net (decrease) in cash from capital activities	(5,288)	(24,034)
Cash flows (used in) from investing activities:		
New loan payments	-	(60,000)
Loan repayments	78,197	68,748
New investments in managed funds	(3,602,986)	-
Reinvestments in managed funds	(251,581)	(87,894)
Net (decrease) in cash from investing activities	(3,776,370)	(79,146)
Net (decrease) increase in cash for the year	(1,433,702)	(150,485)
Cash position, beginning of the year	3,372,220	3,522,705
Cash position, end of the year	$ 1,938,518	$ 3,372,220
Cash consists of:		
Cash – operations	$ 1,794,983	$ 2,174,620
Cash – Flexible Loan Program	143,535	1,197,600
	$ 1,938,518	$ 3,372,220

(See accompanying notes to the financial statements)

SASKATCHEWAN ARTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

1. Purpose and Authority

The Saskatchewan Arts Board was established pursuant to *The Arts Board Act*. It has been continued under *The Arts Board Act, 1997* (the Act). It exists to cultivate an environment in which the arts thrive for the benefit of everyone in Saskatchewan. The Act continues the Saskatchewan Arts Board Fund through which all financial transactions are conducted which pertain to fulfilling the purposes of the agency as indicated in the Act.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada. These statements do not present a Statement of Remeasurement Gains and Losses as it is not practical to determine the unrealized portion of investment income relating to its managed funds investments. As a result, all income attributable to its managed funds investments is recorded in Other Earned Income on the Statement of Operations and Accumulated Surplus. The significant policies are as follows:

a) Collections

The Board maintains a collection of artworks and related archives in all forms in order to inform, enlighten, and enhance the lives of present and future generations. Works in the collection are acquired through purchase, commission, donation, or bequest.

i) Permanent collection purchases are charged at cost as an expense in the Statement of Operations and Accumulated Surplus in the year of purchase.

ii) Donated works of art and archives for the permanent collection are recorded as revenue at their fair market value at the time of donation with a corresponding charge to expenses in the Statement of Operations and Accumulated Surplus.

iii) Musical instrument purchases are charged at cost as an expense in the Statement of Operations and Accumulated Surplus in the year of purchase.

b) Tangible Capital Assets

Leasehold improvements, equipment, and furnishings are recorded at cost less accumulated amortization. The net book value of these capital assets is detailed in Note 12. Tangible capital assets are amortized on a straight-line basis over their estimated useful lives which are as follows:

Electronic equipment	4 years
Other equipment	6 years
Furnishings	10 years
Leasehold improvements	Life of the lease

c) Designated Assets

Internally - the Board periodically designates amounts from cash to be allocated for specified purposes. In designating these amounts, the Board takes into

account the amounts and stated preferences of contributors. These amounts are not available for other purposes without approval of the Board.

Externally - the Board may receive cash with the stipulation it be used for specific purposes. These amounts are available only for the purposes stipulated by the contributor.

d) Grant expenses

Grants are expensed when approved by the Board, the applicant has met the eligibility criteria, and the amount of the grant can be estimated.

e) Cash

Cash consists of interest-bearing money on deposit with the bank. The interest rate during the year was 1.000% (2013 – 1.000%).

f) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles for Public Sector requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods. Differences are recorded in current operations when identified.

The primary measurement uncertainty arising from the use of estimates which may affect reported amounts relates to the values of loans receivable, accounts receivable, and tangible capital assets.

g) Revenues

Revenues are recognized as they are earned and measurable.

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

Deferred revenue represents user charges and other fees which have been collected, for which the related services have yet to be provided. These amounts will be recognized as revenue in the fiscal year the services are provided.

3. Pension Plan

Employees make contributions to the Public Employees' Pension Plan, a defined contribution plan. Funding requirements are established by *The Superannuation (Supplementary Provisions) Act*. During the year, the employee contribution rate was changed from 6% to 6.25% effective October 1 and the employer contribution rate was also changed from 7% to 7.25%. This plan is fully funded. During the year the Board's total contributions were $90,828 (2013 - $100,311) and are included in Salaries and benefits in Note 7.

4. Financial Instruments

a) Fair value

The Board's significant financial instruments consist of cash, managed funds accounts receivable, loans receivable and accounts payable. The fair value of the loans receivable is not readily determinable due to the nature of the loans as described in Note 8 and Note 13. The fair values of the other financial instruments approximate their carrying value due to their short-term nature.

b) Credit risk

Credit risk is the risk a party owing money to the Board will fail to discharge that responsibility. The Board is exposed to credit risk from the potential non-payment of accounts and loans receivable. The majority of accounts receivable were collected shortly after year-end. Loans receivable – operations are secured against future grant allocations. Therefore, the credit risk is minimal. Loans receivable - Flexible Loan Program are secured by general security agreements. An allowance for doubtful accounts has been recorded to cover any risks associated with any of the financial instruments.

5. Assessment Services

The Board has entered into agreements with several organizations to provide assessment and program delivery services on their behalf. In cases where the grant amounts recommended are paid directly by the partner organization the grant amounts are not reported in these financial statements. During 2014 the Board convened juries leading to the recommendation of 129 grants to be paid by partner organizations (2013 – 92 grants).

Fees earned by the Board for assessment services are recorded as revenues. During 2014 the following assessment fees were recognized:

Client	2014	2013
SaskCulture	$ 190,000	$ 139,050
Parks, Culture and Sport (CIGS)	-	190,000
Parks, Culture and Sport (COGO)	18,130	120,000
Access Copyright Foundation (ACF)	26,667	37,500
Creative Saskatchewan	44,000	-
	$ 278,797	$ 486,550

6. Contractual Obligations

Operating lease

The Board leases office space in Regina & Saskatoon and storage space for its permanent collection in Regina. The future minimum lease payments are:

Fiscal Year	Operating Leases
2014/15	134,084
2015/16	126,016
2016/17	126,016
2017/18	126,016
2018/19	126,016

7. Comparison of Planned and Actual Results by Object

	2014 Budget	2014 Actual	2013 Actual
Revenues			
General Revenue Fund	$ 7,380,000	$ 6,955,000	$ 8,049,000
SaskCulture Inc.	2,159,000	2,159,000	1,874,400
Other	504,153	4,443,738	603,469
Total Revenues	10,043,153	13,557,738	10,526,869
Expenses			
Grants and transfers	7,365,561	7,415,461	8,430,152
Permanent Collection			
Acquisitions	117,550	270,678	62,430
Programming	46,000	8,596	25,676
Projects	134,000	164,081	123,273
Operations			
Salaries and benefits	1,922,000	1,572,856	1,816,402
Office and administration	355,500	347,756	335,541
Furniture and equipment	162,500	176,700	160,831
Programs and services	136,542	127,540	162,814
Travel and meetings	116,000	72,395	110,305
Communications	95,500	61,955	51,020
Total expenses	10,451,153	10,218,018	11,278,444
Net operating results	$ (408,000)	3,339,720	$ (751,575)

The original budget for the 2013/14 year was approved by the Board on April 26, 2013.

8. Loans Receivable- operations

In 2002 and 2004, the Board entered into two loan agreements with a non-profit organization for the total amount of $265,000. The interest rate on these loans was set at prime less two percent. In 2006, the terms of repayment were amended to restructure and extend the repayment timeline. The first loan has now been paid in full. In 2012, two loans with two different non-profit organizations were finalized with interest rates of 1% and 3% respectively. The principal amounts borrowed were $60,000 and $40,000. The $40,000 loan with 3% interest has been completely paid off. Future payments to the Board, pursuant to these agreements, are as follows:

Fiscal Year	Principal Repayment
2014/15	26,137
2015/16	12,344
2016/17 & beyond	53,109
	$ 91,590

9. Collections

	2014	2013
Art	$ 2,588,746	$ 2,318,068
Archives	27,470	27,470
Permanent Collections	$ 2,616,216	$ 2,345,538
Musical Instruments	$ 46,575	$ 46,575

During the year the Board purchased art objects for the permanent collection totaling $68,603 (2013 - $60,280). In addition, art objects valued at $202,075 (2013 - $2,150) were donated to the collection. In January 2002, the permanent collection was appraised by members of the Professional Art Dealers Association of Canada and assigned a value of $2,903,173 on the basis of market value. In 2014, 0 objects (2013- 796 objects) were appraised at a value of $0 (2013- $1,279,430). With the addition of 2014 acquisitions, the appraised value of the collection is increased to $4,894,790 (2013- $4,624,112). The remaining objects in the collection will be appraised in due course.

10. Managed Funds

In 2007, the Board entered into a Managed Fund agreement with the Saskatoon Community Foundation to maintain funds consigned by the Board for specified purposes. Expenditures incurred by the Board in relation to these purposes out of operating funds have been identified and are included as part of the undesignated portion of the Managed Funds balance.

The total funds on hand are pooled by the Foundation with other participants' assets and invested through a fund manager. Rates of return are declared by the Foundation each quarter and applied to funds on hand as of the beginning of the quarter. During the year, the Board consigned $3,602,986 (2013-$0) to the Managed Fund.

	Balance as at March 31, 2013	Net change to capital	Earnings	Fees	Balance as at March 31, 2014
Externally Designated Amounts					
Canada Games Legacy Funds	$ 220,000	$ (42,425)	$ 19,435	$ 1,010	$ 196,000
Prince Edward Drama Scholarship	35,686	–	3,677	181	39,182
	255,686	(42,425)	23,112	1,191	235,182
Internally Designated Amounts:	408,485	(45,574)	38,894	1,967	399,838
Total designated funds	664,171	(87,999)	62,006	3,158	635,020
Non-Designated Amounts	1,006,905	3,690,985	199,881	7,148	4,890,623
Total Funds	$ 1,671,076	$3,602,986	$261,887	$ 10,306	$ 5,525,643

11. Contingent Liabilities

The Arts Board has been named as a co-defendant in two claims that have been served prior to 2014. As at March 31, 2014, the likelihood of resolution of these claims against the Arts Board is not determinable.

12. Tangible Capital Assets

	Leasehold improvements	Furnishings	Other equipment	Electronic Equipment	2014 Total	2013 Total
Opening costs of tangible capital assets	$ 772,782	$ 212,236	$ 63,727	$ 554,435	$ 1,603,180	$ 1,581,250
Additions during year	--	3,926	--	5,693	9,619	21,930
Disposals during year	--	--	--	--	--	--
Closing costs of tangible capital assets	772,782	216,162	63,727	560,128	1,612,799	1,603,180
Opening accumulated amortization	487,107	167,011	63,582	464,919	1,182,619	1,096,049
Annual amortization	59,848	5,945	--	41,521	107,314	86,570
Disposals during year	--	--	--	--	--	--
Closing accumulated amortization	546,955	172,956	63,582	506,440	1,289,933	1,182,619
Net book value of tangible capital assets	$ 225,827	$ 43,206	$ 145	$ 53,688	$ 322,866	$ 420,561

a) Land

In July 1998, Order-in-Council 485/98 authorized Saskatchewan Environment to sell, and the Board to acquire, provincial lands identified in the Order-in-Council for the total value of $1. During 2006 the Board sold the portion of these lands described as Certificate of Title No. 88S52861 in the above Order-in-Council for $442,677. These proceeds were recognized as revenue during 2006.

In December 2010, the Board sold a portion of the remaining land to the City of Saskatoon for $560,000. $90,000 was held back by the City of Saskatoon pending the purchase of an adjacent segment of land by the Board from the City of Saskatoon. The purchase concluded in 2014 in the amount of $77,436. This purchase price was offset against the $90,000 that was held back by the City of Saskatoon. As a result, the difference of $12,564 was paid to the Board by the City of Saskatoon.

In 2014, all remaining parcels of land were sold by the Board to various parties in the combined amount of $3,602,986

13. Flexible Loan Program

In 2008, Order-in-Council 817/2007 provided for additional funding to the Saskatchewan Arts Board, including $1,150,000 for the establishment of a loan program in support of Creative Industries. The purpose of this program is to provide recoupable low-interest loans to support individual artists, arts businesses and arts organizations in developing new business opportunities or expanding existing opportunities to ensure the creation, production, promotion and dissemination of high quality and authentic cultural products.

In 2013, the Board entered into an agreement with the Ministry of Parks, Culture and Sport to repurpose $1,000,000 from the Flexible Loan Program for disbursement as grants to support creative industry projects through the Creative Industries Transition Fund, a program established for this purpose. The effective date of the agreement was April 1, 2013.

	2014	2013
Opening Cash balance	$ 1,197,600	$ 1,151,918
Proceeds		
Principal repayments	30,222	32,267
Interest on loans	760	1,704
Interest accrued on balance	2,957	11,720
Total proceeds	33,939	45,691
Disbursements		
Loans issued	--	--
Other costs	--	9
Creative Industries Transition Fund	1,000,000	--
Total Disbursements	1,000,000	9
Transfer to Cash - Operations	88,004	--
Closing Cash Balance	143,535	1,197,600
Loans receivable	6,465	36,688
Closing balance, Flexible Loan Program	$ 150,000	$ 1,234,288

Future payments to the Board, pursuant to the agreements, are as follows:

Fiscal Year	Principal Repayment
2014/15	6,465
	$ 6,465

14. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Board by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Routine operating transactions with related parties are recorded at agreed upon exchange amounts and settled under normal trade terms. Those transactions and amounts outstanding at year-end are as follows:

	2014	2013
Revenues		
General Revenue Fund	$ 6,955,000	$ 8,049,000
Creative Saskatchewan	58,091	-
Ministry of Education	46,000	46,000
Permanent Collection fees	28,236	22,582
Expenses		
Conexus Arts Centre	58,312	45,097
Ministry of Central Services	36,099	51,671
Sask Energy	3,515	2,968
Sask Power	11,886	11,632
SaskTel	35,388	36,166
Saskatchewan Workers Compensation Board	15,802	18,435
	$161,002	$ 165,969

In addition, the Board pays provincial sales tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases. Other transactions with related parties and amounts due to/from them and the terms of settlement are described separately in these financial statements and the notes thereto.

15. Net Financial Assets

The following Net Financial Assets are designated by the Board as at March 31st:

	2014	2013
Designated:		
Flexible Loan Program (Note 13)	150,000	$ 1,234,288
Culture on the Go	178,356	278,356
Creative Industries Growth & Sustainability	--	--
Managed Funds (Note 10)	635,020	664,171
	963,376	2,176,815
Undesignated		
Managed funds (Note 10) and other	4,989,338	352,877
Net Financial Assets	$ 5,952,714	$ 2,529,692

16. Grants

	2014	2013
Organizations		
Professional Arts Organizations	$ 3,916,885	$ 3,178,775
Creative Industries Growth & Sustainability	-	718,000
Creative Industries Transition Fund	343,079	656,921
Festivals	890,792	777,501
Special Initiatives Fund	-	147,050
Artists		
Independent artists	675,000	875,000
Indigenous Pathway Initiative	200,000	181,000
Scholarships	25,000	25,000
Projects		
Culture on the Go	281,870	511,025
Creative Partnerships	665,000	554,900
Project assistance	-	-
Portail culturel Fransaskois	-	345,000
ArtsSmarts	254,434	260,809
Grants returned	(30,463)	(42,259)
	$ 7,221,597	$ 8,188,722

17. Deferred & Unearned Revenue

In 2010, the Board received a leasehold inducement in the amount of $65,274. This inducement is to be amortized over the length of the lease. During the year, $13,055 (2013-$13,055) was recorded as revenue.

During 2007, the Board received $340,000 from Sask Sport Inc. to operate three specified programs over a ten-year period beginning April 1, 2007, using funds made available for this purpose from proceeds of the 2005 Canada Summer Games designated for Cultural legacy initiatives. During the year, $46,000 (2013-$36,000) was recorded as revenue. Other deferred revenue recorded on the Statement of Financial Position comprises payments pertaining to subsequent periods for the rental of art objects from the Permanent Collection.

18. Collective Bargaining Agreement

In 2014, the Arts Board & SGEU local 2288 concluded a collective bargaining agreement for the period October 1, 2012 – September 30, 2016. Amounts payable to members of the local pursuant to the agreement were calculated and paid following its ratification.

19. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.